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France

Oilseeds and Products

New EU Directive May Boost French Oilseed Production

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Report Highlights:
France is the leading European producer of biofuels. Two new draft Directives presented by the European Commission in early November are meant to create incentives to increase Member State consumption of biofuel starting in 2005. If implemented, these Directives would result in a significant increase in French industrial oilseed production. Vegetable Oil Methyl Ester (VOME) production would rise to 530,000 MT by 2005.

Includes PSD changes: No
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1. Production of Crops for Non-Food Use

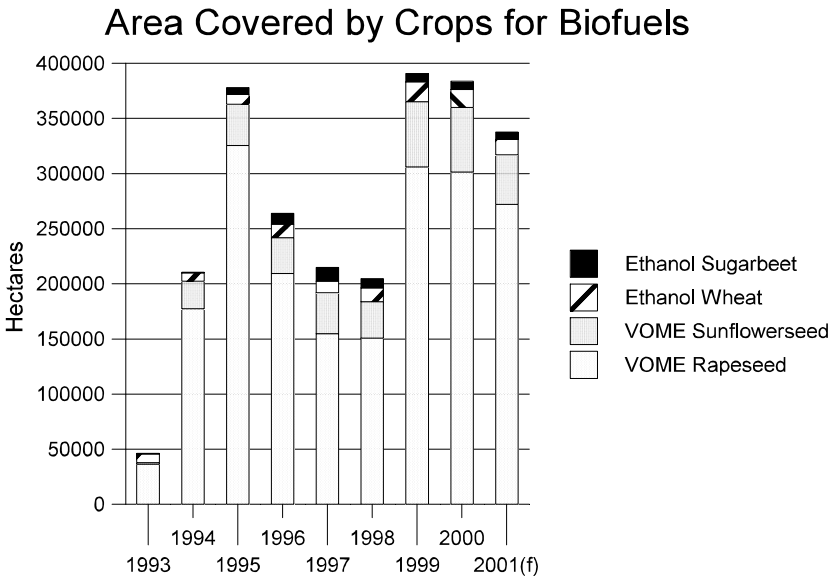
The French oilseed board (ONIOL) recently published the area planted to non-food crops in France. Rapeseed represents the large majority (more than 75 percent) of this area, followed by sunflowerseed (15 percent). In 2000, non-food rapeseed represented 25 percent of the total rapeseed produced in France, while non-food sunflowerseed accounted for 9 percent of total sunflowerseed production.

Below is the breakdown of non-food crops grown on industrial set-aside in France in 1999, 2000 and 2001. Vegetable Oil Methyl Ester (VOME) is made from rapeseed and sunflowerseed and mixed with diesel, while ethanol or ethyl tertio butyl ester (ETBE) is produced from sugarbeet and wheat and mixed with high-octane gasoline.

Crops	Use	1999 (in hectares)	2000 (in hectares)	2001 (f) (in hectares)
Rapeseed	VOME	306,054	301,414	272,084
	Erucic	11,703	9,466	9,420
	Total	317,757	310,880	281,504
Sunflowerseed	VOME	59,071	58,732	n/a
	Oleic	16,604	7,024	n/a
	Total	75,675	65,756	49,926
Wheat	Ethanol/ETBE	18,186	16,299	13,885
Sugarbeet	Ethanol/ETBE	7,666	7,342	6,854
Other		11,687	13,962	14,217
TOTAL		430,971	414,239	366,386

Since 1993, VOME rapeseed has dominated the biofuel crop market, as indicated in the graph below. However,

the area planted to biofuel crops has been on the decline since 1999, as a result of reduced payments to oilseed growers set by Agenda 2000 and declining yields. The leading French regions producing non-food crops are Centre (Loire Valley, South of Paris) and Champagne-Ardennes (Champaign area, East of Paris), where more than 30 percent of non-food crops to be harvested in 2001 are located.



2. Biofuels and Other Non-Food Production

There is a number of industrial uses for rapeseed and sunflowerseed-derived products. For example, rapeseed and sunflower oil can be used as anti-foam additives for washing powders, ink and varnish. Rapeseed oil can also be used to remove concrete from a mould, and as a strong biolubricant. Rapeseed methyl ester is used in chemical products of the phytosanitary industry.

Most of the industrial rapeseed produced is for VOME mixed in bio-diesel. Rapeseed and sunflowerseed methyl ester is sold under the brand name "diester" in France. 1 MT diester is produced from 2.55 MT of rapeseed, as indicated in the reactions below:

$$2.55\,MTrapeseed \rightarrow 1\,MToil$$
$$1\,MToil + 0.1\,MTmethanol \rightarrow 0.1\,MTglycerin + 1\,MTdiester$$

$$12.5\,MTsugarbeet \rightarrow 1.96\,MTsaccharose$$
$$3.6\,MTwheat \rightarrow 1.96\,MTsaccharose$$
$$1.96\,MTsaccharose \rightarrow CO_2 + 1\,MTethanol$$
$$0.47\,MTethanol + 0.53 isobuten \rightarrow 1\,MTetbe$$

The other biofuel produced in France is ethanol, or ethanol-derived ETBE, processed from wheat or sugarbeet fermentation. As indicated below, 1 MT of ethanol is produced from 12.5 MT of sugarbeet or 3.6 MT of wheat, and 1 MT of ETBE is produced from 5.88 MT sugarbeet or 1.69 MT of wheat.

According to French legislation, plants processing VOME and ethanol/ETBE need to be officially approved by the GOF for a given production capacity. These plants, as well as their respective production capacities, are listed in report FR0095 (11/16/00) and in report FR050 (08/01/01). The total quantity of VOME authorized to be produced in 2001 is 317,500 MT, and the total volume of ETBE authorized is 219,000 MT (this corresponds to 104,000 MT of bio-ethanol). There was an additional 70,000 MT of VOME approved to be produced in 2001 by the French Prime Minister in November 2000, although none has been produced. (See section 3).

France is the leading European producer of biofuels, although VOME is also produced in Germany, Austria, Belgium and Italy and bio-ethanol is produced in Spain and Sweden. Additional projects are being explored in Finland, in the Netherlands and in the United Kingdom. Each Member State has a specific regulation on domestic biofuel production.

3. Regulation

A. EU Regulation until 2000

The French biofuel production is based on the EU Commission Decision of April 9, 1997, notified to France on April 28, 1997, in which the Commission "has no objection to cuts in the Domestic Tax on Petroleum Products (in French "Taxe Intérieure sur les Produits Pétroliers"-TIPP) that France provides for certain quantities of ETBE and VOME." This EU Decision refers to the Directive 92/81, article 8, which applies to "pilot projects aiming to the technological development of less polluting products." Therefore, a tax (TIPP) cut in France on VOME and ETBE/ethanol that makes biofuels price-competitive with fossil fuels.

However, a decree of an EU Court (Tribunal de Première Instance des Communautés Européennes) published on September 27, 2000, partially annulled the Commission decision relative to the tax reduction. This decree was published after the oil company British Petroleum, which is the leading European processor of synthetic ethanol, filed an appeal against tax exemption on biofuels. As a result of this decree, the process, both in terms of production and regulation, has been blocked in 2001.

B. New Draft Directive Proposals for 2001

In order to clarify and harmonize the European policy on biofuel production, the EU Commission adopted on November 7, 2001 two draft Directives in favor of biofuel use. The first draft Directive was proposed by the Minister Council and the European Parliament. It "aims to promote the use of biofuels in transportation means." According to this draft Directive, EU Member States should make sure that biofuels represent at least 2 percent of the gasoline and diesel used in transporation by 2005. The draft then sets up a schedule that gradually increases this percentage to 5.75 percent in 2010.

The second draft Directive was proposed by the European Minister Council and focuses on "the possibility of a reduced excise rates on certain mineral oils containing biofuels and on biofuels." The draft Directive modifies the 1992 Directive on the harmonization of excise duties on mineral oils so that EU Member States could implement reduced excise rates on fuels containing biofuels, from January 1, 2002 to December 31, 2010. However, the draft mentions that reduced excise rates should not be lower than half of normal excise rates, except on fuels used in public transportation, taxis, and public authorities' vehicles.

4. Impact of the New Directives on French Consumption

According to the French Association for the Development of Biofuels (ADECA), and the French oilseed board (ONIOL), there were 93,000 MT of bio-ethanol (up from 91,000 MT in 1999) and 309,000 MT of VOME (up from 246,000 MT in 1999) consumed in France in 2000. These quantities accounted for 0.6 percent of gasoline consumption and diesel consumption, respectively.

In order to meet the objectives of 2 percent incorporation of biofuels in 2005 and 5.75 percent in 2010 set by the the first draft Directive presented above, ADECA estimated that the current French VOME production needs to be increased by 67 percent by 2005 while bioethanol production needs to almost triple (see table below):

	VOME (MT)	Bioethanol (MT)
Current capacity	317,500	104,000
Capacity including Current industrial projects	387,500	177,000
2005 production requirements (2 percent incorporation)	530,000	290,000
2010 production requirements (5.75 percent incorporation)	1,530,000	840,000

According to ADECA, the area planted to industrial sugarbeet should almost triple by 2005, while the industrial wheat area would have to be multuplied by more than seven, and the area planted to industrial oilseeds would expect a 40 percent increase (see table below).

	Sugarbeet	Wheat	Oilseeds	Total

Current Area	6,854	13,885	317,084	337,823
2005 requirements	20,000	100,000	440,000	560,000
2010 requirements	55,000	280,000	1,275,000	1,610,000